Company Registration No. 02467338 (England and Wales)

# CHAMPNEYS SPRINGS LIMITED

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 APRIL 2016

# CHAMPNEYS SPRINGS LIMITED

## COMPANY INFORMATION

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| | |
|---|---|
| **Directors** | Mrs Dorothy Purdew OBE<br>Mr Stephen Purdew<br>Mr Alan Whiteley |
| **Secretary** | Mrs Dorothy Purdew OBE |
| **Company number** | 02467338 |
| **Registered office** | Palladium House<br>1-4 Argyll Street<br>London<br>W1F 7LD |
| **Auditor** | Hazlems Fenton LLP<br>Chartered Accountants<br>Palladium House<br>1-4 Argyll Street<br>London<br>W1F 7LD |
| **Business address** | Gallows Lane<br>Packington<br>Ashby-de-la-Zouch<br>LE65 1TG |

## CONTENTS

# CHAMPNEYS SPRINGS LIMITED

## STRATEGIC REPORT

## *FOR THE YEAR ENDED 30 APRIL 2016*

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The directors present the strategic report and financial statements for the year ended 30 April 2016.

The principal activity of the company remains as the original health spa pioneers, Champneys is still true to its innovative heritage. Established in 1925, it continues to enhance each guest's visit by breaking new ground in health and wellness in a welcoming, friendly environment and providing accessibility for all. With a combination of over 100 spa and beauty treatments, specialist treats, expert advice, informative talks, classes, medical services, nutritious food, spirituality and surroundings make Champneys the ultimate immersive and affordable health spa experience.

The company continues to invest in developing and maintaining its resort, spa and wellness offering to maintain its market leading position.

There have been no changes in the company's activities in the year under review.

**Fair review of the business**
The profit and loss account shows turnover for the year of £6,243,727 (2015: £6,004,907). The turnover has increased by 3.98% (2015: 15.45%).

The profit and loss account shows the profit before taxation of £1,047,072 (2015: £531,038), after exceptional items of £52,321 (2015: £434,945).

Since the end of the year, the key performance indicators (KPIs) of the company are considered by the directors to be in line with the historical trends of the business. There have been no events since the balance sheet date which materially affect the position of the company.

**Principal risks and uncertainties**
The health resort and spa market remains highly competitive. During the year, direct competition from hotels with "spa facilities", local specialist spa facilities and indirect competition from the leisure industry were the main challenges facing the business.

The financial instruments used by the company arise wholly and directly from our operations. The financial instruments comprise trade debtors, cash at bank, bank loans and trade creditors.

The company has put in place the following measures in order to manage the risks arising from these financial instruments:

1. The company's credit risk is primarily attributable to agency bookings; all bookings made by individuals are paid for in advance. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual agreements.

2. The company manages its cash position by regularly monitoring cash flow, using cash flow forecasting and variance analysis.

3. The financial risk arising from the possible non-advance of credit by the company's trade creditors, either by exceeding agreed credit limit's or by not paying with the specified terms, is managed by regularly monitoring the trade balance and credit limit terms from all suppliers.

**Key performance indicators**
The directors consider the following statistics as the principal KPIs of the business:

| | |
|---|---|
| Total number of guests | 2016: 37,990 (2015: 35,346) |
| Revenue per guest | 2016: £163.83 (2015: £170.45) |

The KPIs for the year are in line with those of 2015 and reflect the overall financial performance of the company compared to the previous year.

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# CHAMPNEYS SPRINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

### *FOR THE YEAR ENDED 30 APRIL 2016*

**Other information and explanations**

The financial instruments used by the company arise wholly and directly from its activities and comprise of debtors, cash at bank and creditors. The company regularly reviews its performance by producing monthly management accounts and closely reviewing them. The company regularly monitors the level of its debtors and creditors. Due to the nature of the financial instruments used by the company, there is minimal financial risk arising from these financial instruments

On behalf of the board

..............................
Mr Stephen Purdew
**Director**
16/01/17

# CHAMPNEYS SPRINGS LIMITED

## DIRECTORS' REPORT

## *FOR THE YEAR ENDED 30 APRIL 2016*

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The directors present their annual report and financial statements for the year ended 30 April 2016.

**Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mrs Dorothy Purdew OBE
Mr Stephen Purdew
Mr Alan Whiteley

**Results and dividends**

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £3,000,000. The directors do not recommend payment of a final dividend.

**Financial instruments**

***Treasury operations and financial instruments***

The company is a subsidiary undertaking within the Champneys Henlow Limited group. Cash funds of the group are managed at a group level.

***Liquidity and interest rate risk***

The company's arrangements with the group ensure that in the event it has liquidity requirements above the level of cash generated from its on-going operations, it can access additional funds through group funding. The group's liquidity requirements and interest rate risks are managed at a group level.

***Foreign currency risk***

The company's functional currency is Sterling and it also presents its financial statements in Sterling. The company's exposure to currency risk is minimal.

**Auditor**

In accordance with the company's articles, a resolution proposing that Hazlems Fenton LLP be reappointed as auditor of the company will be put at a General Meeting.

**Statement of directors' responsibilities**
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement of disclosure to auditor**
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

..............................
Mr Stephen Purdew
**Director**
16/01/17

# CHAMPNEYS SPRINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBERS OF CHAMPNEYS SPRINGS LIMITED

We have audited the financial statements of Champneys Springs Limited for the year ended 30 April 2016 set out on pages 7 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**
As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**
In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 30 April 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## TO THE MEMBERS OF CHAMPNEYS SPRINGS LIMITED

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Hazlems Fenton

**Russell Tenzer FCA (Senior Statutory Auditor)**
**for and on behalf of Hazlems Fenton LLP**

**Chartered Accountants**
**Statutory Auditor**

..........12/1/17..

Chartered Accountants
Palladium House
1-4 Argyll Street
London
W1F 7LD

# CHAMPNEYS SPRINGS LIMITED

## PROFIT AND LOSS ACCOUNT

### *FOR THE YEAR ENDED 30 APRIL 2016*

| | Notes | 2016<br>£ | 2015<br>£ |
|---|---|---|---|
| **Turnover** | 3 | 6,243,727 | 6,004,907 |
| Cost of sales | | (1,182,170) | (1,068,170) |
| **Gross profit** | | 5,061,557 | 4,936,737 |
| Administrative expenses | | (3,980,367) | (3,984,187) |
| Other operating income | | 18,203 | 13,433 |
| Exceptional item | 4 | (52,321) | (434,945) |
| **Profit before taxation** | | 1,047,072 | 531,038 |
| Taxation | 8 | (94,124) | (112,481) |
| **Profit for the financial year** | | 952,948 | 418,557 |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# CHAMPNEYS SPRINGS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

### *FOR THE YEAR ENDED 30 APRIL 2016*

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| **Profit for the year** | 952,948 | 418,557 |
| **Other comprehensive income** | - | - |
| **Total comprehensive income for the year** | 952,948 | 418,557 |

# CHAMPNEYS SPRINGS LIMITED

## BALANCE SHEET

## *AS AT 30 APRIL 2016*

| | Notes | 2016 £ | 2016 £ | 2015 £ | 2015 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 10 | | 11,728,674 | | 11,499,902 |
| **Current assets** | | | | | |
| Stocks | 12 | 145,317 | | 130,312 | |
| Debtors | 13 | 544,921 | | 1,970,362 | |
| Cash at bank and in hand | | 31,460 | | 21,610 | |
| | | 721,698 | | 2,122,284 | |
| **Creditors: amounts falling due within one year** | 14 | (2,285,779) | | (1,419,757) | |
| **Net current (liabilities)/assets** | | | (1,564,081) | | 702,527 |
| **Total assets less current liabilities** | | | 10,164,593 | | 12,202,429 |
| **Provisions for liabilities** | 15 | | (203,806) | | (194,590) |
| **Net assets** | | | 9,960,787 | | 12,007,839 |
| **Capital and reserves** | | | | | |
| Called up share capital | 18 | | 100 | | 100 |
| Revaluation reserve | | | 2,896,438 | | 2,896,438 |
| Profit and loss reserves | | | 7,064,249 | | 9,111,301 |
| **Total equity** | | | 9,960,787 | | 12,007,839 |

The financial statements were approved by the board of directors and authorised for issue on 16/01/17 and are signed on its behalf by:

..............................
Mr Stephen Purdew
**Director**

**Company Registration No. 02467338**

# CHAMPNEYS SPRINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY

***FOR THE YEAR ENDED 30 APRIL 2016***

| | Notes | Share capital | Revaluation reserve | Profit and loss reserves | Total |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Balance at 1 May 2014** | | 100 | 2,896,438 | 8,692,744 | 11,589,282 |
| **Year ended 30 April 2015:** | | | | | |
| Profit and total comprehensive income for the year | | - | - | 418,557 | 418,557 |
| **Balance at 30 April 2015** | | 100 | 2,896,438 | 9,111,301 | 12,007,839 |
| **Year ended 30 April 2016:** | | | | | |
| Profit and total comprehensive income for the year | | - | - | 952,948 | 952,948 |
| Dividends | 9 | - | - | (3,000,000) | (3,000,000) |
| **Balance at 30 April 2016** | | 100 | 2,896,438 | 7,064,249 | 9,960,787 |

# CHAMPNEYS SPRINGS LIMITED

## STATEMENT OF CASH FLOWS

***FOR THE YEAR ENDED 30 APRIL 2016***

| | Notes | 2016 £ | 2016 £ | 2015 £ | 2015 £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from/(absorbed by) operations | 23 | | 3,615,321 | | (30,274) |
| Income taxes paid | | | (12,297) | | (24,000) |
| **Net cash inflow/(outflow) from operating activities** | | | 3,603,024 | | (54,274) |
| **Investing activities** | | | | | |
| Purchase of tangible fixed assets | | (593,174) | | (189,005) | |
| **Net cash used in investing activities** | | | (593,174) | | (189,005) |
| **Financing activities** | | | | | |
| Dividends paid | | (3,000,000) | | - | |
| **Net cash used in financing activities** | | | (3,000,000) | | - |
| **Net increase/(decrease) in cash and cash equivalents** | | | 9,850 | | (243,279) |
| Cash and cash equivalents at beginning of year | | | 21,610 | | 264,889 |
| **Cash and cash equivalents at end of year** | | | 31,460 | | 21,610 |

# CHAMPNEYS SPRINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### *FOR THE YEAR ENDED 30 APRIL 2016*

**1 Accounting policies**

**Company information**
Champneys Springs Limited is a private company limited by shares incorporated in England and Wales. The registered office is Palladium House, 1-4 Argyll Street, London, W1F 7LD.

**1.1 Accounting convention**
These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties. The principal accounting policies adopted are set out below.

These financial statements for the year ended 30 April 2016 are the first financial statements of Champneys Springs Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 May 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS102.

Champneys Springs Limited is a controlled subsidiary of Champneys Henlow Limited and the results of Champneys Springs Limited are included in the consolidated financial statements of Champneys Henlow Limited which are available from its registered office.

**1.2 Going concern**
At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

**1.3 Turnover**
Turnover represents sales to customers for accommodation, food and beverages, spa treatments, retail and related services at invoiced amounts less value added tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually at the point of sale), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Where cash is received in advance, revenue is deferred until goods and services are provided, upon which it is recognised in the profit and loss account.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

**1.4 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

| | |
|---|---|
| Freehold land and buildings | 50 years straight line |
| Gym equipment | 5 years straight line |

**1 Accounting policies** **(Continued)**

| | |
|---|---|
| Fixtures, fittings and equipment | 5-10 years straight line |
| Motor vehicles | 5 years straight line |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

The depreciation apportionment is reviewed every six months.

**1.5 Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**1.6 Stocks**

Stock represents cosmetics, toiletries, spa treatment materials, base stock, food and beverage, and is valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less costs of disposal. Where necessary, provisions are made for obsolete, slow-moving and defective stock.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

**1.7 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**1 Accounting policies** **(Continued)**

**1.8 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

***Basic financial assets***

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

***Other financial assets***

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

**Trade and other debtors**

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment except where the effect of discounting would be immaterial. In such cases, the debtors are stated at cost less impairment losses for bad and doubtful debts.

***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

**1 Accounting policies** **(Continued)**

***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

**Trade and other creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial in which case they are measured at cost.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

**1.9 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**1.10 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

***Deferred tax***

Deferred tax is provided in full respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**1.11 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**1 Accounting policies** **(Continued)**

**1.12 Retirement benefits**

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year in which they are payable..

**1.13 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

**2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

***Useful lives of tangible fixed assets***

The cost of tangible fixed assets is depreciated over its estimated useful economic life. Management estimates the useful lives of these tangible assets to vary. Changes in the expected level of usage and technological developments could impact on the useful economic lives and the residual values of these assets; therefore, future depreciation charges could be revised. The accounting policy of tangible fixed assets is described in note 1.4. The carrying amount of the company's tangible fixed assets in the balance sheet is disclosed in note 10 of the financial statements.

***Impairment of trade debtors***

The company reviews trade receivable balances for impairment and this is performed on a regular basis. Those balances which are considered to be recoverable remain in receivables and those which are not, are impaired and the impairment loss is recorded in the income statement. In making this judgement, the company evaluates, among other factors, the duration and the financial health of and short-term business outlook for the trade receivables, including factors such as industry and sector performance. The accounting policy of trade debtors is described in note 1.8. At the year end the carrying amount of trade debtors is stated in note 13.

***Stock***

Stock is valued at the lower of cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends. The accounting policy of stocks is described in note 1.6. At the year end the carrying amount of stocks is stated in note 12.

## 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| **Turnover** | | |
| Accommodation, spa treatment, food and beverages and other income | 6,243,727 | 6,004,907 |

**Turnover analysed by geographical market**

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| United Kingdom | 6,243,727 | 6,004,907 |

## 4 Exceptional costs

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Exceptional items written off | 52,321 | 434,945 |

The exceptional items relate to the correction of systemic errors following the implementation of a new Property management system in January 2013.

## 5 Operating profit

| | 2016 | 2015 |
|---|---|---|
| Operating profit for the year is stated after charging/(crediting): | £ | £ |
| Depreciation of owned tangible fixed assets | 364,402 | 436,957 |
| Cost of stocks recognised as an expense | 1,182,170 | 1,068,170 |

## 6 Auditor's remuneration

| | 2016 | 2015 |
|---|---|---|
| Fees payable to the company's auditor and associates: | £ | £ |
| **For audit services** | | |
| Audit of the company's financial statements | 9,000 | 7,000 |

### 7 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2016 Number | 2015 Number |
|---|---|---|
| Management | 1 | 2 |
| Administration | - | 4 |
| Operations | 152 | 144 |
| | 153 | 150 |

Their aggregate remuneration comprised:

| | 2016 £ | 2015 £ |
|---|---|---|
| Wages and salaries | 1,821,604 | 1,725,023 |
| Social security costs | 92,369 | 95,035 |
| Pension costs | 7,705 | 5,630 |
| | 1,921,678 | 1,825,688 |

### 8 Taxation

| | 2016 £ | 2015 £ |
|---|---|---|
| **Current tax** | | |
| UK corporation tax on profits for the current period | 207,012 | 134,104 |
| Adjustments in respect of prior periods | (122,104) | (34,493) |
| Total current tax | 84,908 | 99,611 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 9,216 | 12,870 |
| Total tax charge | 94,124 | 112,481 |

### 8 Taxation (Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Profit before taxation | 1,047,072 | 531,038 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.92%) | 209,414 | 111,093 |
| Tax effect of expenses that are not deductible in determining taxable profit | 148 | 3,872 |
| Adjustments in respect of prior years | (122,104) | (34,493) |
| Permanent capital allowances in excess of depreciation | (36,794) | (72,252) |
| Depreciation on assets not qualifying for tax allowances | 72,881 | 91,411 |
| Other adjustments | (29,421) | 12,850 |
| Taxation for the year | 94,124 | 112,481 |

### 9 Dividends

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Interim paid | 3,000,000 | - |

### 10 Tangible fixed assets

| | Freehold land and buildings | Gym equipment | Fixtures, fittings and equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Cost or valuation** | | | | | |
| At 1 May 2015 | 11,262,857 | 200,225 | 6,754,066 | - | 18,217,148 |
| Additions | - | - | 589,841 | 3,333 | 593,174 |
| At 30 April 2016 | 11,262,857 | 200,225 | 7,343,907 | 3,333 | 18,810,322 |
| **Depreciation and impairment** | | | | | |
| At 1 May 2015 | 1,465,471 | 194,223 | 5,057,552 | - | 6,717,246 |
| Depreciation charged in the year | 104,808 | 1,837 | 257,313 | 444 | 364,402 |
| At 30 April 2016 | 1,570,279 | 196,060 | 5,314,865 | 444 | 7,081,648 |
| **Carrying amount** | | | | | |
| At 30 April 2016 | 9,692,578 | 4,165 | 2,029,042 | 2,889 | 11,728,674 |
| At 30 April 2015 | 9,797,386 | 6,002 | 1,696,514 | - | 11,499,902 |

### 10 Tangible fixed assets (Continued)

Freehold land and buildings with a carrying amount of £9,692,578 (2015: £9,797,386) were revalued on 24 December 2012 by CBRE independent valuers not connected with the company on the basis of open market value. The valuation conforms to International Valuation Standards and was based on market transactions on arm's length terms for similar properties. In the opinion of the directors, the current use, open market value of the freehold land and buildings has not changed materially since the date of the valuation report dated 24 December 2012.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Cost | 8,366,419 | 8,366,419 |
| Accumulated depreciation | 77,854 | 1,465,472 |
| Carrying value | 8,288,565 | 6,900,947 |

Freehold land and buildings with a carrying amount of £9,692,578 (2015: £9,797,386) have been pledged to secure borrowings of the company. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

### 11 Financial instruments

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| **Carrying amount of financial assets** | | |
| Debt instruments measured at amortised cost | 272,109 | 1,915,364 |
| **Carrying amount of financial liabilities** | | |
| Measured at amortised cost | 1,836,749 | 1,052,189 |

### 12 Stocks

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Cosmetics, toiletries, spa treatment materials, food and beverages | 145,317 | 130,312 |

## 13 Debtors

| Amounts falling due within one year: | 2016 £ | 2015 £ |
|---|---|---|
| Trade debtors | 178,611 | 44,573 |
| Amount due from parent undertaking | - | 1,851,535 |
| Amounts due from fellow group undertakings | 42,067 | 2,397 |
| Other debtors | 51,431 | 16,859 |
| Prepayments and accrued income | 272,812 | 54,998 |
| | 544,921 | 1,970,362 |

## 14 Creditors: amounts falling due within one year

| | 2016 £ | 2015 £ |
|---|---|---|
| Trade creditors | 506,577 | 377,617 |
| Amounts due to group undertakings | 427,010 | 67,304 |
| Corporation tax | 206,715 | 134,104 |
| Other taxation and social security | 242,315 | 233,464 |
| Other creditors | 582,536 | 297,109 |
| Accruals and deferred income | 320,626 | 310,159 |
| | 2,285,779 | 1,419,757 |

## 15 Provisions for liabilities

| | Notes | 2016 £ | 2015 £ |
|---|---|---|---|
| Deferred tax liabilities | 16 | 203,806 | 194,590 |
| | | 203,806 | 194,590 |

## 16 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| Balances: | Liabilities 2016 £ | Liabilities 2015 £ |
|---|---|---|
| Accelerated capital allowances | 203,806 | 194,590 |

There were no deferred tax movements in the year.

### 16 Deferred taxation (Continued)

The deferred tax liability of £203,806 (2015: £194,590) set out above is expected to reverse and relates to accelerated capital allowances that are expected to mature within the same period.

### 17 Retirement benefit schemes

| | 2016 | 2015 |
|---|---|---|
| **Defined contribution schemes** | **£** | **£** |
| Charge to profit or loss in respect of defined contribution schemes | 7,705 | 5,630 |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 18 Share capital

| | 2016 | 2015 |
|---|---|---|
| | **£** | **£** |
| **Ordinary share capital** | | |
| **Issued and fully paid** | | |
| 100 Ordinary shares of £1 each | 100 | 100 |

The ordinary shares have full rights in the company with regards to voting, dividend and capital distribution.

### 19 Financial commitments, guarantees and contingent liabilities

The company is party to a cross guarantee for the bank borrowings of the group. The borrowings are secured by way of a fixed and floating charge over the assets of the company. At the year end the liabilities covered by these guarantees totalled £28,750,000 (2015: £28,750,000).

### 20 Capital commitments

Amounts contracted for but not provided in the financial statements:

| | 2016 | 2015 |
|---|---|---|
| | **£** | **£** |
| Acquisition of property, plant and equipment | 35,527 | 5,662 |

### 21 Related party transactions

No guarantees have been given or received by the directors or other related parties other than those detailed in note 19.

Included in debtors, is a total amount of £42,067 due from fellow subsidiaries.

Included in creditors, is a total amount of £78,623 due to fellow subsidiaries and a total of £348,387 due to parent company.

### 22 Controlling party

The company is a subsidiary of Champneys Henlow Limited which is the immediate and ultimate parent company.

The ultimate controlling party is the Purdew family, Dorothy and Stephen Purdew.

The smallest and largest group that prepares group accounts and for which the company is a member is that headed by Champneys Henlow Limited. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

### 23 Cash generated from operations

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Profit for the year after tax | 952,948 | 418,557 |
| **Adjustments for:** | | |
| Taxation charged | 94,124 | 112,481 |
| Depreciation and impairment of tangible fixed assets | 364,402 | 436,957 |
| **Movements in working capital:** | | |
| (Increase) in stocks | (15,005) | (49,480) |
| Decrease/(increase) in debtors | 1,425,441 | (562,503) |
| Increase/(decrease) in creditors | 793,411 | (386,286) |
| **Cash generated from/(absorbed by) operations** | 3,615,321 | (30,274) |